

Message Text

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R 030246Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 195605

FOLLOWING REPEAT OTTAWA 3393 ACTION SECSTATE DATED JUL 07:

QTE: C O N F I D E N T I A L OTTAWA 03393

E.O. 11652: GDS
TAGS: TECH, ENRG
SUBJECT: POSSIBLE SALE OF ENRICHED URANIUM TO JAPAN

REF: STATE 103441

DEPARTMENT FOR EUR/CAN
DEPARTMENT PLEASE PASS DOE/BERGOLD

1. ON 25 APRIL 1978 THE EMBASSY TRANSMITTED THE SUB-
STANCE OF REFTTEL TO EXTAFF TO ALLAY FEARS OF GOC THAT
PROPOSED JAPANESE PREPAYMENT FOR URANIUM ENRICHMENT
SERVICES MIGHT HAVE PREJUDICIAL EFFECTS ON SALE OF
CANADIAN URANIUM TO JAPAN. THIS CONCERN ON THE PART OF
CANADA ALREADY HAD BEEN EXPRESSED TO THE AMBASSADOR BY
ALASTAIR GILLESPIE, MINISTER OF ENERGY, MINES AND
RESOURCES.

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2. IT IS NOW REPORTED IN "NUCLEONICS WEEK" OF 29 JUNE
1978 THAT THE SALE TO JAPAN OF \$1-2 BILLION WORTH OF
ENRICHED URANIUM FROM THE U.S. STOCKPILE IS NOW BEING
DISCUSSED, IN ADDITION TO THE PREPAYMENT FOR ENRICHMENT
SERVICES.

3. WE ANTICIPATE THAT THIS TRANSACTION, IF IT MATERIALIZES, WILL BRING FORTH A STRONG NEGATIVE REACTION FROM CANADA, SINCE IT WILL BE VIEWED AS AN ACTION BY THE U.S. TO UNDERCUT THE SALE OF 15-30 MILLION POUNDS OF YELLOW-CAKE BY CANADA TO JAPAN.

4. THE PATTERN IN THE PAST HAS BEEN FOR JAPAN TO BUY NATURAL URANIUM FROM CANADA, HAVE IT ENRICHED IN THE U.S., AND THEN SENT TO JAPAN FOR USE IN ITS REACTORS.

5. IF THE REPORT IN "NUCLEONICS WEEK" IS TRUE, CANADA NOT ONLY WILL BE CONCERNED ABOUT THE POTENTIAL LOSS OF URANIUM SALES BUT ALSO ABOUT THE PRICE THAT WILL BE CHARGED FOR THE NATURAL URANIUM COMPONENT OF THE ENRICHED URANIUM PRODUCT.

6. THIS WOULD COME AT A TIME WHEN IT IS IN THE STRONG INTEREST OF THE U.S., AS WELL AS CANADA, TO ENCOURAGE AND PROMOTE THE DEVELOPMENT OF ADDITIONAL URANIUM SOURCES IN CANADA.

7. THE PRICE ISSUE IS IMPORTANT, AS CANADA IS TRYING TO HOLD THE SALES PRICE OF URANIUM TO THE "WORLD PRICE" OF \$42 PER POUND (OR MORE), WITH YEARLY RENEGOTIATIONS OF SALES CONTRACTS TO PROVIDE FOR ESCALATION. THE OBJECTIVE IS TO ENCOURAGE INVESTMENT IN THE URANIUM INDUSTRY.
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8. PLEASE ADVISE EMBASSY AS TO HOW WE SHOULD RESPOND TO QUESTIONS WHICH INEVITABLY WILL ARISE FROM THE "NUCLEONICS WEEK" ARTICLE.
ENDERS UNQTE VANCE

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